

## FILE COMBINED RETURNS ON THE INTERNET!



Maine employers may file their combined return for Income Tax Withholding and Unemployment Contributions on the internet. However, all amended returns must be filed on paper.

The newly upgraded system is designed to provide filers with a convenient and secure method of electronically filing quarterly returns. The system will pre-fill the semi-weekly payment schedule and the employee wage and withholding information which reduces the time it takes you to file your return. If you maintain wage and withholding data using software capable of exporting an Excel file, you may choose to complete Schedule 2/C1 by uploading a file containing the required information.

Employers or non-wage filers with 100 or more employees and payroll processors with 100 or more employer-clients are required to electronically file quarterly returns effective for the first quarter of 2006.

The option of electronically filing just the Schedule 2/C1 detail is no longer available for 2006. Returns are to be filed entirely using a single method (paper returns, the internet or ICESA application). See [www.maine.gov/revenue](http://www.maine.gov/revenue) for details.

The Maine Revenue Services I-File program uses 128-bit encryption and secure socket layer technology to ensure the data you enter and send remains secure. Internet Explorer 4.0 or better or Netscape 4.0 or better is required.

For more information or assistance with filing via the internet, please call the Withholding Line at (207) 626-8475, select 1, then option 4 on the menu.

## Maine EZ Pay

You can now pay your Maine income tax withholding electronically at [www.maine.gov/revenue/netfile/ezpay.htm](http://www.maine.gov/revenue/netfile/ezpay.htm). Electronic payments eliminate the necessity of filing Forms 900ME (Employer Payment Voucher for Maine Income Tax Withheld). Maine EZ Pay is an on-line application that allows Maine taxpayers to make payments on-line, quickly and easily. Almost any type of tax payment can be made, including business tax payments, such as withholding and unemployment, or sales tax. To avoid having to make payments earlier than necessary, payments may be scheduled in advance and will automatically be withdrawn on the payment date the taxpayer selects. Taxpayers must preregister on-line.

Maine Revenue Services accepts both ACH credit method and ACH debit method payments for combined income tax withholding and unemployment contributions quarterly returns ("CQR"). Both ACH payment methods require applications to participate. Taxpayers with annual withholding liabilities of \$200,000 or more must pay electronically. Payroll processing companies must remit electronically for all clients, regardless of whether those individual clients are mandated to pay electronically. A payroll processing company may request a waiver from this requirement from the State Tax Assessor for good cause. Maine Revenue Services also accepts voluntary participants into its EZ Pay program. There are no payment minimums.

**ACH Credit.** A taxpayer may make payments using this method by authorizing their bank to withdraw the tax payment from the taxpayer's deposit account and transfer it to the state's account. In

order to pay using this method, you must have previously established a relationship with a bank that provides this service (generally larger commercial banks) and you must have previously registered with the Maine Revenue Services EFT Unit as a credit method payer.

**ACH Debit.** A taxpayer may make payments using this method by authorizing Maine Revenue Services to electronically transfer tax payments from the taxpayer's deposit account to the Maine Revenue

Services deposit account. The authorization is initiated through a telephone call to the MRS electronic withdrawal payment system. This telephone payment system allows taxpayers to arrange for debit payments with effective dates up to 15 days in the future. The amount due shown on the return you filed will be deducted from your account within 3 business days from the date you authorize the transfer.

**Penalty for Insufficient Funds.** The penalty for insufficient funds applies to electronic funds transfers. The penalty is \$20 or 1% of the payment amount, whichever is greater.

**Penalty for Failure to Pay by Electronic Funds Transfer.** Any person required to pay by electronic funds transfer who fails to do so is liable for a penalty equal to the lesser of 5% of the tax due or \$5,000.

For more information, an application, or a copy of Rule 102, visit [www.maine.gov/revenue](http://www.maine.gov/revenue) and select Electronic Services; send an e-mail to [efunds.transfer@maine.gov](mailto:efunds.transfer@maine.gov); send a FAX to (207) 287-6975; call 207-287-8276; or write to: EFT Unit, Maine Revenue Services, PO Box 9100, Augusta, ME 04332-9100.

# UNEMPLOYMENT INSURANCE CONTRIBUTION RATES FOR 2006

**Wage Base** – For tax year **2006**, employers pay unemployment taxes on the first **\$12,000** of each employee's gross earnings.

**Experience rating system and tax rates** – Each employer's contribution rate is determined using the Department of Labor (DOL) "experience rating" system. The employer's experience rate is determined through multiple factors over time. The rate may be higher or lower than the average employer rate. The rate reflects an employer's history of average taxable wages, contributions paid, and benefits charged.

## Technical explanation of tax rates

Every year, the **Reserve Ratio** is recalculated for each employer. This recalculation may or may not result in a rate change.

All employers are then **arrayed** into a list in descending order by their Reserve Ratios. They are divided into 20 categories with approximately the same amount of taxable wages in each category. Employers having the least use of the unemployment program are at the top of the list and those with the most use are at the bottom.

These 20 categories each have an **experience factor**. The experience factor is the proportion of the average contribution rate that is payable by employers in that category.

The **planned yield** is determined from a set of formulas. It is the percentage of total (taxable) wages necessary to generate the desired amount of revenue. The **planned yield** for 2006 is set in law at 0.70%.

The **predetermined yield**, or average contribution rate, is then computed. It is the average contribution rate needed to generate the desired amount of revenue for the amount of taxable wages.

The contribution rates for the 20 categories are computed by multiplying the **predetermined yield** by the **experience factors** for each category.

The lowest contribution rate for 2006 is 0.53% and the highest is 5.40%.

EMPLOYER'S 2006 CONTRIBUTION RATE IN PERCENT OF WAGES					
Contribution Category	% of Taxable Payrolls		Experience Factors	Predetermined Yield	Contribution Rate
Column A	From	To	Column C		
1	00.00%	05.00%	0.30	1.78%	<b>0.53%</b>
2	05.01	10.00	0.35	1.78	<b>0.62</b>
3	10.01	15.00	0.40	1.78	<b>0.71</b>
4	15.01	20.00	0.45	1.78	<b>0.80</b>
5	20.01	25.00	0.50	1.78	<b>0.89</b>
6	25.01	30.00	0.55	1.78	<b>0.98</b>
7	30.01	35.00	0.60	1.78	<b>1.07</b>
8	35.01	40.00	0.65	1.78	<b>1.16</b>
9	40.01	45.00	0.70	1.78	<b>1.25</b>
10	45.01	50.00	0.75	1.78	<b>1.34</b>
11	50.01	55.00	0.80	1.78	<b>1.42</b>
12	55.01	60.00	0.90	1.78	<b>1.60</b>
13	60.01	65.00	1.00	1.78	<b>1.78</b>
14	65.01	70.00	1.10	1.78	<b>1.96</b>
15	70.01	75.00	1.25	1.78	<b>2.23</b>
16	75.01	80.00	1.40	1.78	<b>2.49</b>
17	80.01	85.00	1.60	1.78	<b>2.85</b>
18	85.01	90.00	1.90	1.78	<b>3.38</b>
19	90.01	95.00	2.20	1.78	<b>3.92</b>
20*	95.01	100.00	2.60	1.78	<b>5.40</b>

\*Contribution category 20 cannot have a rate less than 5.4%.

New Employer Rate for 2006 = 1.78%

Planned yield is .70% for rate year 2006

## GENERAL INSTRUCTIONS

**Returns must be completed and filed with Maine Revenue Services each quarter according to the following schedule:**

Quarter	Period Covered	Due Date
Quarter 1 .....	01-01-06 to 03-31-06 .....	05-01-06
Quarter 2 .....	04-01-06 to 06-30-06 .....	07-31-06
Quarter 3 .....	07-01-06 to 09-30-06 .....	10-31-06
Quarter 4 .....	10-01-06 to 12-31-06 .....	01-31-07

**Note:** A combined return must be filed each quarter, even if you had no income tax withheld or unemployment contributions for that period. Each page submitted must have your Withholding Account Number and your Unemployment Account Number clearly printed at or near the top of the page. Do not write notes on wage listing pages.

The combined Maine Revenue Services and Department of Labor form (Form 941/C1-ME) is used to report total income tax withheld for the quarter, to reconcile 900ME voucher payments made during the quarter, to calculate your unemployment insurance contributions for the quarter and to report your employee wage listing for the quarter. **You are required to record income tax withheld for each employee or payee.**

Each quarterly return in this booklet is preprinted with the quarter being reported, Withholding Account Number, Unemployment Contributions Employer Account Number, business name(s), calendar period covered and due date. An extra quarterly return with the quarter being reported and calendar period covered left blank is provided for use if you make an error while you are completing a quarterly return. Returns must be completed and filed with Maine Revenue Services on or before the required due date.

## GENERAL INSTRUCTIONS, continued

Complete the Cancellation Notice on the bottom of any quarterly return when a business terminates or the requirement to withhold permanently ceases.

When using a paid preparer or payroll processor, enter their federal employer identification number (EIN) and Maine payroll processor license number in the designated fields.

Complete the Name and Address Change Form 941/C1C-ME on page 3 if there has been a change in the business name, address or telephone number. We will correct our records and, if necessary, provide new payment vouchers and Forms 941/C1-ME. **Do not make changes on Form 941/C1-ME.** If your current Federal Employer Identification Number (Maine Withholding Account Number) changes, call the Central Registration Unit at 207-287-2338.

If you have questions regarding unemployment insurance status, determination of contribution rates or general unemployment insurance information, call the Department of Labor at 207-287-3176. Any other questions regarding this form or income tax in

general should be directed to Maine Revenue Services at 207-626-8475, select 1, option 4.

**Interest and Penalties.** Interest is charged at an annual rate of 10%, compounded monthly, on unpaid withholding or unemployment tax. The penalty for failure to pay either the withholding or unemployment tax on time is 1% per month up to a maximum of 25%. The penalty for failure to file the return on time is 10% of the tax liability or \$25.00 for each tax, whichever is greater. If the return is filed more than 30 days after demand, the penalty is 100% of the income tax withholding due.

**Do not staple or tape forms together. Paper clip all Schedule 2/C1 wage listing pages to the back of the combined withholding/unemployment tax return. Do not mail photocopies of the forms in this book to Maine Revenue Services. Photocopied forms cannot be processed by Maine Revenue Services' scanning system. If you need additional wage listing pages, visit the Maine Revenue Services web site at [www.maine.gov/revenue](http://www.maine.gov/revenue), call 207-624-7894 or write: Maine Revenue Services, P.O. Box 9100, Augusta, ME 04332-9100.**

## SPECIFIC INSTRUCTIONS

**Note: The forms in this book are designed to comply with optical scanning requirements. Spaces underlined in red must be completed carefully in black or blue ink. Letters and numbers must be entered legibly within the outline area. Letters must appear in upper case only and start on the left; numbers start from the right. For example:**

Name                      C O M P A N Y   I N C .

Address                    1 2 3   F I R S T   S T

Maine income tax withheld   1 2 3 4 5 . 0 0

**Use the extra tax form in this booklet if you make an error while you are completing a quarterly return.**

### Part One Income Tax Withholding

**Line A. Number of payees.** Enter the total number of employees or payees subject to Maine withholding this quarter.

**Line 1.** Enter the total amount of Maine income tax withheld from Schedule 2/C1 – Quarterly Income Tax Withholding and Unemployment Compensation Wages Listing, line 19b. **All employers and non-payroll filers who paid reportable wages or non-wage payments during the quarter must complete Schedule 2/C1.** See the instructions for Schedule 2/C1 on page 8.

**Line 2.** Enter the total amount of semiweekly payments you have already remitted from Schedule 1/C1 – Reconciliation of 900ME Voucher Payments or EFT Payments of Income Tax Withholding, line 13. If you are not required to make payment of income tax withholding semiweekly, enter zero. For information about who is required to make semiweekly payments of income tax withholding, see instructions for Schedule 1/C1 on page 8.

**Line 3.** Enter the total Maine income tax withholding due with this return (line 1 minus line 2).

### Part Two Unemployment Contributions Report

**Lines 4 and 5.** Failure to complete lines 4 and 5 will result in additional paperwork for you to complete.

**Line 4.** Enter for each month the total of all full-time and part-time workers who worked or received pay reportable for unemployment

insurance purposes during the payroll period, which includes the 12th of each month. If you had no employment in the payroll period, enter zero (0).

**Line 5.** Enter the number of female workers who worked or received pay reportable for unemployment insurance purposes during the payroll period and are included in the totals on line 4.

**Line 6.** Complete Schedule 2/C1 (see instructions on page 8). Enter on this line the total Unemployment Compensation Gross Wages Paid this quarter. This amount should equal Schedule 2/C1, line 19a. If there are no wages, enter zero (\$0.00). An amount for wages or zero (\$0.00) must be entered on this line. If zero, do not complete Schedule 2/C1, column 16 (UC Gross Wages).

**Line 7.** Enter the sum of the amount of each individual's wages paid in this quarter which is in excess of \$12,000 for the year. For example, the wages of an employee paid \$5,000.00 in each quarter would be reported as follows (this is an example):

	Total	Excess	Taxable
1st Quarter	\$5000.00	\$ .00	\$5000.00
2nd Quarter	5000.00	.00	5000.00
3rd Quarter	5000.00	3000.00	2000.00
4th Quarter	5000.00	5000.00	.00

**Line 8.** Subtract the excess wages on line 7 from the total gross reportable wages on line 6. Enter the difference here. **Note: Excess wages cannot be greater than total reportable wages.**

**Line 9.** This is your employer contribution rate. Your rate is pre-printed to the right of this line. If you have been notified that this rate is incorrect, enter the correct rate in the spaces provided.

**Line 10.** Calculate the total unemployment contributions due this quarter by multiplying the taxable wages paid on line 8 by the employer contribution rate on line 9. Enter the result here.

**DIRECT REIMBURSEMENT EMPLOYERS MUST COMPLETE EVERY LINE OF THE RETURN**

### Part Three Calculate the Total Amount Due

**Line 11.** Enter the total income tax withholding and unemployment contributions due with this return (line 3 plus line 10). If any portion of the balance due is not paid by the due date, interest and penalties will be charged on the unpaid balance. Additional penalties will be assessed if the return is not filed on time.

Employers or non-payroll filers who reported Maine income tax



## Schedule 1/C1 Instructions Reconciliation of 900ME Payments or Electronic Payments of Income Tax Withholding

withholding of \$18,000 or more for the 12 months ending June 30, 2005 are **required** to make semiweekly payments of income tax withholding. Employers or non-payroll filers who reported Maine income tax withholding of less than \$18,000 for the 12 months ending June 30, 2005 are **not required** to make semiweekly payments of income tax withholding. See page 3 of this booklet to find your withholding tax remittance frequency.

Semiweekly payments of income tax withholding must be made according to the following schedule:

<u>Day Wages Paid</u>	<u>Remittance Due</u>
Wednesday, Thursday, Friday	On or before the following Wednesday
Saturday, Sunday, Monday, Tuesday	On or before the following Friday

If you are required to pay income tax withholding on a semi-

**weekly basis, you must complete Schedule 1/C1.** Complete one line of the schedule for each payroll during the quarter. Payments may be made by paper voucher (Form 900ME) or electronically (EFT or EZ Pay).

**Line 12.** Add the subtotals for the Withholding Amount columns and enter the total Withholding Amount for this quarter. The total Withholding Amount should equal the amount entered on Form 941/C1-ME, line 1 (from Schedule 2/C1, line 19b).

**Line 13.** Add the subtotals for the Payment Amount columns and enter the total Payment Amount for this quarter. The total Payment Amount will be entered on Form 941/C1-ME, line 2. The Payment Amount includes all payments made in the quarter, whether such payments have been made by Forms 900ME or electronically (EFT or EZ Pay).

## Schedule 2/C1 Instructions Quarterly Income Tax Withholding and Unemployment Compensation Wages Listing

**All filers who paid reportable wages during the quarter must complete Schedule 2/C1 – Quarterly Income Tax Withholding and Unemployment Compensation Wages Listing.** Use as many pages as necessary to report all wages and non-wage payments paid during the quarter. Complete all information for each Schedule 2/C1 page submitted. Include backup withholding, pension withholding, distribution withholding, etc.

If you need additional forms, you can order blank forms by calling 207-624-7894 or go the MRS web site at [www.maine.gov/revenue](http://www.maine.gov/revenue), select "Forms, Publications & Applications," then select "Combined Withholding and Unemployment Contributions (941/C1-ME)." If the Department of Labor has determined that you are a seasonal employer, Part 2 will list your seasonal period. **Non-seasonal and seasonal wages must be separated and reported on two separate lines.**

**Column 14.** Enter each employee's or payee's last name, first name, and middle initial. Enter the name of an employee or payee with both non-seasonal and seasonal wages on two separate lines.

**Column 15.** Type or print each employee's or payee's social security number. Enter the social security number of an employee or payee with both non-seasonal and seasonal wages on two separate lines.

**Column 16.** Enter the amount of Unemployment Compensation Gross Wages Paid during the quarter covered by this report. Non-seasonal wages are wages for services performed for a non-

seasonal industry or for services performed before or after the designated seasonal period for a seasonal industry. **If you are reporting non-seasonal wages, do not check the box marked "seasonal."** Seasonal wages are wages for services performed during the seasonal period for a designated seasonal industry. **To report seasonal wages, check the box marked "seasonal" in the shaded column. Do not report partners' or sole proprietor's wages or wages paid by a sole proprietor to a spouse, parent, or child under age 18.** If an employee's wages are greater than 999,999.99, enter the wages on two or more lines to add up to the total reportable wages for the employee.

**Column 17.** Enter the Maine income tax withheld in the quarter for the employee and/or payee listed in column 14. Also include backup withholding, pension withholding, distribution withholding, or similar withholding.

**Line 18a.** Enter the total amount of column 16 unemployment compensation gross wages paid for employees listed on this page.

**Line 18b.** Enter the total amount of column 17, Maine Income Tax Withheld in the Quarter, for employees and/or payees listed on this page.

**Line 19a. On the last Schedule 2/C1 page only,** enter the total unemployment compensation gross wages paid for lines 18a on all pages. Enter this amount on Form 941/C1-ME, Part 2, line 6.

**Line 19b. On the last Schedule 2/C1 page only,** enter the total Maine income tax withheld in the quarter for lines 18b on all pages. Enter this amount on Form 941/C1-ME, Part 1, line 1.

## AMENDED RETURN

If you have made an error on a previously filed return, you must file an amended return to correct the error. The amended returns are located in this booklet, immediately following the additional quarterly return. Two separate returns are available, one for income tax withholding and one for unemployment contributions.

Instructions for completing these forms are located on the back of each form.

Additional forms are available at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms) or by calling 207-624-7894.